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# SUMMER OUTLOOK JUNE 1972



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## SUMMER OUTLOOK JUNE, 1972

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This information is based on early June data obtained from  
Markets Information, CDA, Statistics Canada and other agencies.



## FOREWORD

The 1972 SUMMER OUTLOOK has been prepared as part of the program to regularly inform the agricultural community of the supply, demand and price for the major commodities. Since many production decisions, particularly for crops, have already been made, the theme is the general market outlook, with an accent on prices. The analyses are based on information available up to June 15, 1972.

The publication also has an assessment of the farm income for 1972 and for the first time an outlook on retail food prices.

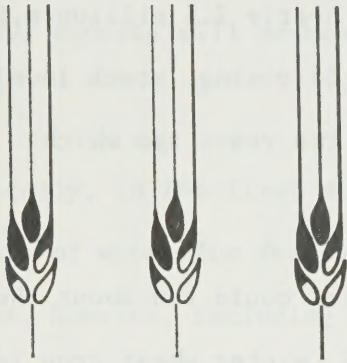
This report is one of a number regularly issued by the Markets Outlook Section. It is the result of joint efforts by outlook economists in the Economics Branch and product specialists in the Production and Marketing Branch of this Department. Valuable cooperation of specialists in other departments and agencies, especially Industry Trade and Commerce, Statistics Canada and the Dairy Commission is also acknowledged.

G.J. Dobson, Director  
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Ottawa. June, 1972.



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# WHEAT

J.S. Carmichael


World exports in 1972-73 should be up slightly from the low level in 1971-72.

Canada's total wheat and flour exports will probably exceed 500 million bushels in 1971-72 and should reach at least 450 million in 1972-73.

Price changes are uncertain for the next six months.

## WORLD

World wheat trade between July 1971 and March 1972 was down from year earlier levels by 1.82 million metric tons (m.t.) to 33.58 million m.t. Canada's exports at 10.33 million m.t. were higher by 2.1 million from the previous year while all other major seller's were substantially lower. U.S. exports, hampered by dock strikes, at 11.73 million m.t. were down by 3.2 million and only 14 percent above Canada's. Imports into Western Europe were down by over three million m.t. from the previous year. The rate of decline for the first eight months suggests a total crop year trade of 50-51 million m.t. compared with 53.7 million in 1970-71.



In total, stocks in the hands of the seven main exporters could be up by nearly 2.5 million m.t. to 52.5 million m.t. While rising, stock levels are well below stocks of two years ago which were 65.8 million m.t.

In the 1972-73 crop year, total world supplies could run about the same as, or a little lower than, in 1971-72. The U.S. winter wheat crop is reported to be down by 3.8 million m.t. from earlier forecasts and to be just below last year's level of 31.7 million m.t. from a higher acreage but lower yields. In France, acreage of all wheat is up slightly; but, in Italy, acreage is lower. Most countries in Eastern Europe including Hungary, Yugoslavia, Bulgaria, Rumania, as well as the USSR, had heavy winter losses. USSR total grain losses are estimated at 20-25 million acres. While spring reseeding and additional seeding has been carried out, yields in the areas involved are not usually as high as on winter crops. While data available are still fragmentary, the level of world exports could be expected to increase, at least slightly, from the relatively low level of 1971-72. The combination of supply and demand factors are such that price changes for wheat are uncertain for the next six months.

#### CANADA

Overseas clearances of wheat, in the crop year up to May 31, 1972 were 333 million bushels, compared to 273 million at the same time in 1971. An additional 19 million bushels has been shipped as flour by the end of April - very slightly above previous year's shipments. Exports of durum have already






reached 42.7 million bushels by May 31. Total wheat and flour exports will probably exceed 500 million bushels.

Domestically, in the first eight months of 1972-73, freight assisted shipments of wheat for feed have fallen off by 25 percent. Total domestic movement, however, including wheat for food is down only about six million bushels to 87.3 million by May 31. Since March, some minor improvement in prices has occurred with late May prices running at \$1.70 (1 CW Red Spring 14%, Thunder Bay) compared with \$1.65 - \$1.66.

The outlook for 1972-73 is still basically the same as in this year's March Outlook, which indicated exports would likely reach 450 million bushels. The expectancy of a high level of sales is strengthened by the recent sale of an additional 58.8 million bushels to China. Half of this wheat will be moved this calendar year and the other half in the early months of 1973. The export level could be higher if, by October, the USSR exercise their option for the purchase of 50 million additional bushels. The USSR and Chinese markets, which must be considered uncertain in the long run, are currently of major significance to Canada.

Statistics Canada's March estimate of total wheat acreage - 21.4 million acres - should result in production of 500-550 million bushels, well below the expected disposition of 600 or more million bushels. A careful appraisal of requirements and stock levels seems desirable in early 1973 to consider next year's level of plantings.



In durum, while no accurate stock data are available, intended acreage is 2,580,000 acres for 1972. This could result in a crop lower than disposal levels (about 70 million bushels) for the second year in a row.

Ontario's 405,000 acres of winter wheat is reported to be in above average condition at press time.





# FEED GRAINS

J.S. Carmichael

Heavy world supplies of feed grains seem likely to prevent increases in prices in coming months, unless demand reaches unusual proportions in countries where production is down this year.

## WORLD

Perhaps the most significant factor in the world feed grain scene is the United States corn situation. Stocks at April 24, 1972 were 3,344 million bushels - 32 percent higher than a year before - even though the feeding rate was higher. Sorghum, oat, and barley stocks were all well above year earlier levels, although not by as much as corn.

U.S. corn acreage intentions called for 68.5 million acres which could yield an amount equal to the annual disposal rate of about five billion bushels. However, it appears likely that actual plantings have fallen below intentions, partly as a result of weather conditions. Other feed grain plantings are indicated to be down from last year, but with high stocks, feed grain supplies could be even higher than last year.



In many other areas including South Africa, Europe and Australia, corn production is increasing, although the recent Argentine crop was down sharply from last year. Barley and oat acreage planted in the EEC are higher by 12 and six percent. The USSR's heavy spring plantings include 12 million acres in corn - 50 percent above last year. Unless growing conditions improve in Eastern Europe more than currently expected, there could be a more than ordinary demand in this area for feed grains in 1972-73 in view of their livestock development programs.

#### CANADA

In Canada, overseas clearances of barley by May 31 amounted to 149 million bushels, compared to 130 million last year for the same period. Another 10 million bushels moved to the United States. Exports for the year are still expected to approach 225 million bushels. Domestic sales through the Wheat Board were slightly lower by May 31 than last year, but domestic and export disappearance should run well over 500 million bushels. Barley acreage of 13.5 million could produce 500-550 million bushels. Carry-over at March 31, 1972 was running at 411 million bushels, some 63 million above last year. Normal yields should give supplies for 1972-73 about the same as 1971-72 levels - nearly 800 million bushels. Prices of feed barley in May rose to about \$1.06 (No. 1, in store, Thunder Bay) from \$1.02½ in January. U.S. corn prices are likely to prevent much higher feed grain prices in the near future.





In oats, increased movement to domestic markets by May 31 offset declines in export sales, which were cut in half to 4.7 million bushels. Domestic use is likely to continue at about 350 million bushels.

Stocks were down at March 31 by 68 million bushels from the same time last year. With a slightly lower acreage this year, production could be down slightly and supplies are likely to be down by about 75 million bushels. Prices of feed oats, like barley, have strengthened slightly to about 65 cents a bushel in late May. With declining stocks, the suggested acreage in the March Outlook of five million acres would have left supplies rather low in light of recent disappearance rates.

Corn acreage intentions were for 1,324,000 acres, slightly lower, rather than higher, than last year as earlier forecast. However, production should be higher since last year's yields were below recent averages. Prices of corn will be held in check by continuing relatively low prices in the U.S. and western feed grain prices. Imports of corn for the first eight months were between five and six million bushels, well below import levels of recent years.

Rye exports - 8.5 million bushels - were still nearly two million bushels higher than last year by May 31. If exports reach 10 million bushels total disappearance would exceed 20 million bushels. Stocks at 20 million bushels are running a little lower than last year, although still about eight million above the recent long-term average. Intended acreage, at 917,000, should result in production of not more than 20 million bushels. The lower production and stock figures should result in supplies more in keeping with prospects

# MONTHLY GRAIN PRICES – THUNDER BAY 1965-66 – 1971-72

Cents/Bushel



(Crop Year August to July)



for 1972-73. Prices tend to follow feed grain prices, and in early June prices (No. 2, Thunder Bay) were about \$1.00, a few cents below prices in late spring.



Prices of feed grains tend to change as a group, with U.S. corn prices providing an effective ceiling. However, fluctuations in U.S. corn prices and in Canadian feed grain prices have been rather sharp in recent years, particularly following the corn blight of 1970.

Instability in feed grain prices has an unsettling effect on the livestock industry. Prices of some feed mixes in recent months, particularly in Eastern Canada, were below year earlier prices, although there is a time lag. Where soybean meal is a significant ingredient, prices of feed mixes reflect the higher soybean meal prices this year.



J.S. Carmichael

The world edible oilseeds outlook for 1972-73 indicates increased consumption, over-shadowed by even greater increases in supply and lower prices.

With flaxseed, however, supply and demand will be in better balance and prices should continue the improvement started this year.

#### WORLD

A strong demand for meals tends to aggravate the supply situation in oils.

Despite reductions in U.S. soybean production and USSR sunflower seed, total world production of oils and fats in 1971-72 was higher than anticipated earlier.

Another above average increase in world supplies of oils and fats appears to be in prospect in 1972-73, with sizeable increases for palm oil, soybean oil and cottonseed oil, and, possible also for coconut, groundnut oil and sunflower seed oil. U.S. soybean plantings may be one million or more acres higher than March intentions - to a record 46.5 million acres - although the supply situation in soybeans could still remain tight.





Oil prices, which increased in March and April, fell back again in May. Meal prices, on the other hand, have been relatively steady. While prices of most oilseeds have been falling, prices of soybeans, with strong meal prices on world markets, over the past year increased 14 percent between May, 1971 and May, 1972. Rapeseed prices, with weakness in meal over the past year, fell by over five percent in the same period.

## CANADA

### Rapeseed

Domestic utilization to May 31, 1972, was up by two million bushels from last year, to 8.9 million bushels, and could be about 11 million bushels in total for the crop year. Exports were 3.5 million bushels behind last year at 34.4 million and could total between 40 and 45 million bushels. Carryover at the end of the crop year will likely be 30 to 40 million bushels, up from 10 million last year.

The 1972 crop on intended acreage could be 60 to 70 million bushels. Total supplies are not likely to be much different from the current year.

Rapeseed prices increased in March and April but fell back in May. Rapeseed prices (No. 1, Thunder Bay) for the last week in May, 1972 were \$2.42 compared to \$2.80 for the same week last year. Soybean prices at Chicago over the same period increased 36 cents to \$3.48 (No. 1) - more than \$1.00 above rapeseed. In months to come rapeseed will have to compete strenuously for markets and prices may decline. Next crop year's marketings may be about half old varieties and half new low erucic acid varieties.



## Soybeans

Canadian soybean acreages will likely be higher, perhaps by 10 percent than the 360,000 acres indicated in intentions. Prices of soybeans have risen and in early June, Chatham prices were over \$3.40 (No. 2 or better). Imports and exports of soybeans and products have been at relatively low levels in the early months of 1972.

It appears likely that soybeans and sunflower seed may be the two oilseeds which may best resist the downward trend in oilseed prices generally. However, the somewhat larger world supplies of soybeans could result in some price decrease from the very high current levels. Unless the U.S. acreage is greater than expected, North American soybean supplies will still be tight.

## Sunflower Seed

Acreage has been increasing in both Canada and the United States. In the United States, acreage could reach one million and in Canada 250 thousand. Prices have been relatively high and the outlook is good for sales and prices in 1972-73.

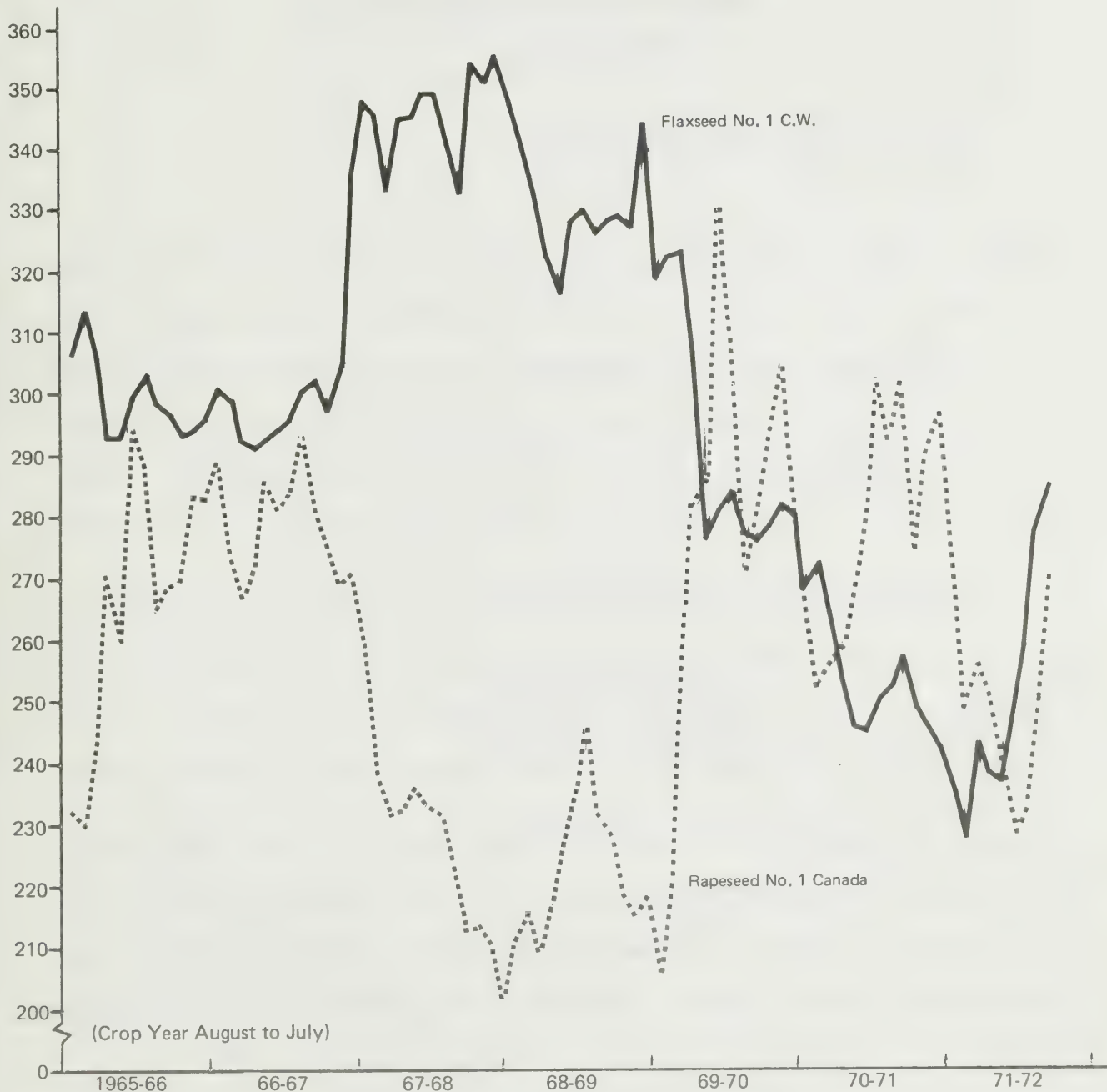
## Flaxseed

Acreage, at 1,570 thousand, could be expected to produce about 20 million bushels. Stocks, at 29 million bushels by March 31, were down by 10 million bushels from last year, but still more than double the average for the last 10 years. Overseas clearances by May 31 were up five million from last year to 22.1 million bushels. Domestic and export disappearances should reach 30



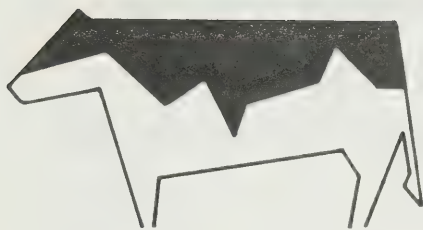
## MONTHLY OILSEED PRICES — THUNDER BAY 1965-66 — 1971-72

Cents/Bushel





million bushels and stocks should be more manageable to start next year. Prices in early June at \$2.70 - \$2.80 (No. 1, Thunder Bay) are about 25 cents above prices in January. Continued price improvement should be possible in 1972-73.



## BEEF

A.M. Boswell

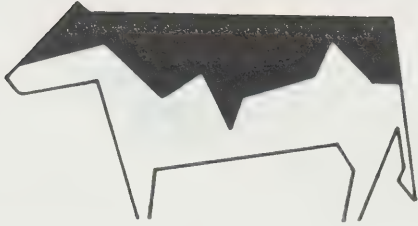
For the last half of 1972, prices and supplies will average above a year ago.

Beef production is performing an increasingly important role in the Canadian agricultural economy. In 1960, the sale of cattle and calves, at \$546 million, accounted for 20 percent of Canada's farm cash income. By 1971, gross sales increased to \$1.1 billion, nearly one-quarter of farm cash income. For 1972, further increases in farm cash income from cattle and calves can be expected.

During the first half of 1972, federally inspected cattle slaughter is estimated to be up only moderately in North America from 1971 first half levels - three percent in Canada and only one percent in the U.S. Average carcass weights in both countries showed little change from 1971 levels.

To the end of May 1972, Choice and Good slaughter cattle combined were up by 7.8 percent from the same period last year and accounted for 66 percent of all slaughter. For the same period, the combined slaughter of Standard, Commercial, Utility, Manufacturing and Bulls showed a decrease of 4.6 percent.





By the end of May this year compared to the same period in 1971, steer and heifer slaughter were up three and 10 percent respectively, but cow slaughter was down 2.5 percent.

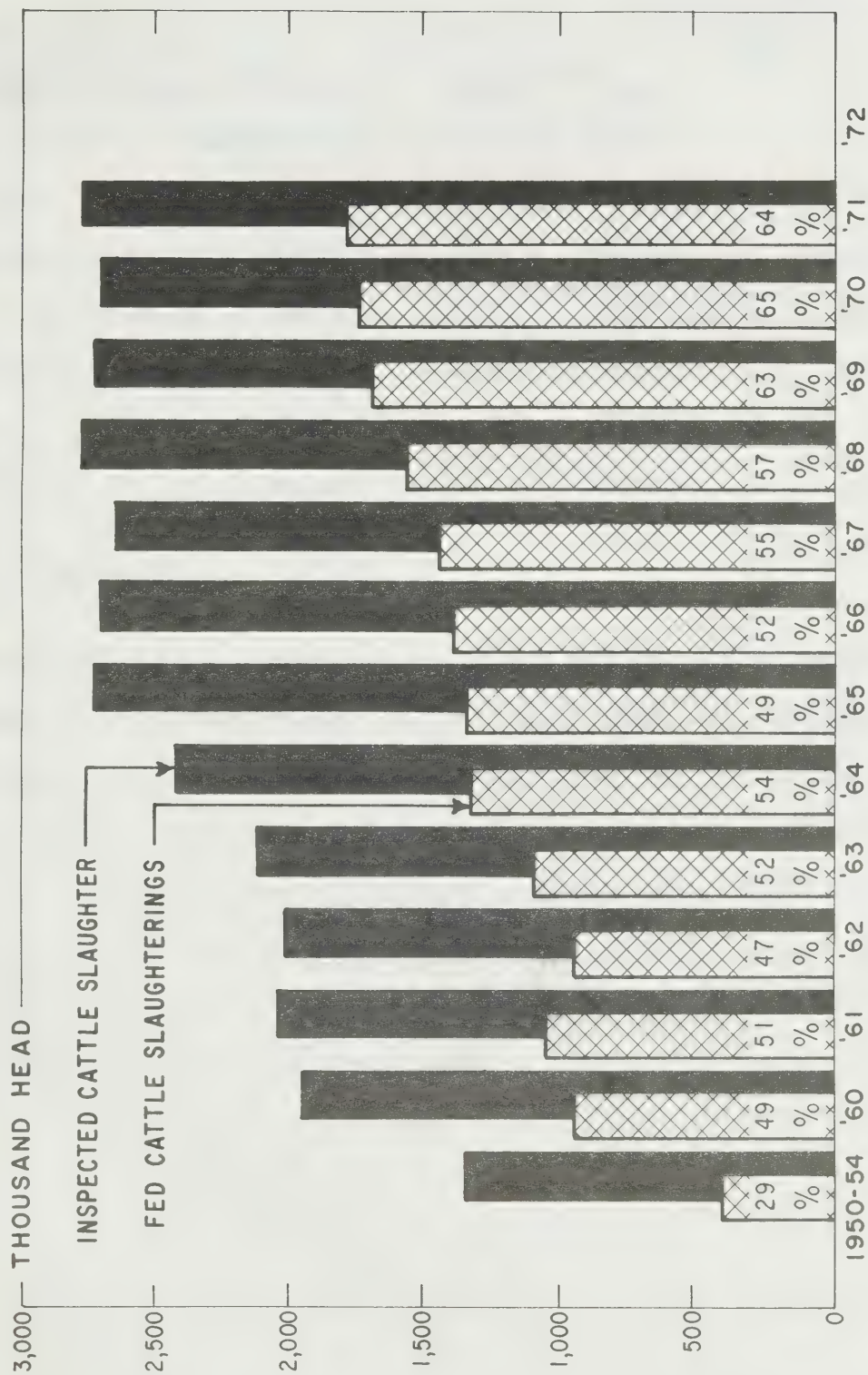
In Canada, cattle slaughter for the last half of 1972 can be expected to exceed the 1971 last half level by three to five percent, mainly as fed beef. Since 1962, fed cattle slaughter has increased every year. Cow slaughter is not expected to change significantly during the last half of 1972 because feeder cattle prices still favour herd expansion.

In the U.S., the 1972 annual increase on cattle slaughter is expected to be up about three percent. The bulk of the increase is likely to be in fed steers. The lower female slaughter expected in the U.S., indicates a continued buildup in cow numbers.

For the last half of 1972, U.S. officials look for fed cattle marketings to average four to five percent above 1971. This level of marketing is expected to bring about some moderate price weakness - probably down to \$33 or \$35 for choice steers at Omaha, compared to an average of \$35.40 to May end 1972.

In Canada, fed cattle prices strengthened in January 1972, and to the end of May averaged \$37.19 per cwt. for Choice steers at Toronto, \$3.35 above last year's level and \$1.80 over Omaha (Table 1). This higher level of prices was associated with an increase in total beef slaughter, including an eight percent increase in fed cattle slaughter (Choice and Good carcasses combined).

# FED CATTLE SLAUGHTERINGS\* AS A PERCENT OF TOTAL INSPECTED CATTLE SLAUGHTER, CANADA 1954 - 1971



\* For this chart, Fed Cattle Slaughtering are those cattle Slaughtering are those cattle which grade choice or good.

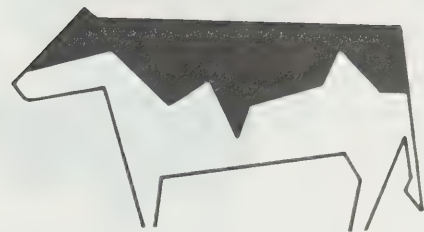
TABLE 1 - CHOICE STEER PRICES, TORONTO AND OMAHA

	Toronto		Omaha		Toronto over Omaha	
	1971	1972	1971	1972	1971	1972
	Can. \$/cwt.		U.S. \$/cwt.		\$/cwt.	
January	32.07	37.33	29.11	35.74	2.96	1.59
February	33.77	37.40	32.23	36.19	1.54	1.21
March	34.00	37.36	31.81	35.06	2.19	2.30
April	34.26	36.53	32.44	34.54	1.82	1.99
May	34.33	37.31	32.88	35.46	1.45	1.85
June	34.25		32.39		1.86	
July	34.27		32.44		1.83	
August	34.46		33.24		1.22	
September	33.80		32.62		1.18	
October	34.22		32.34		1.88	
November	35.31		33.58		1.73	
December	36.47		34.40		2.07	
Year	34.30	37.19 <sup>1/</sup>	32.42	35.40 <sup>1/</sup>	1.88	1.79 <sup>1/</sup>

<sup>1/</sup> Simple average based on 5 months.



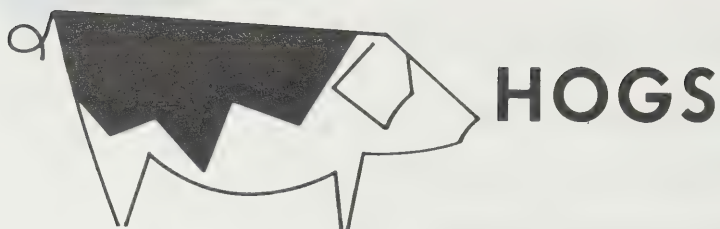
Notwithstanding the relationship of fed cattle prices between Canada and the U.S., where some weakness is indicated, and the fact that domestic fed cattle slaughter in the last half of 1972



can be expected to average above 1971, there are grounds for fairly strong fed cattle prices in Canada during the last half of 1972 - probably averaging above the level of \$34.75 for Choice steers at Toronto during the last half of 1971.

Summer demand for beef will be strong aided by seasonal interest in beef for outdoor cooking, lower pork supplies, and aggressive competition among packers for supplies.

In both Canada and the U.S., feeder cattle demand has been exceptionally strong during early 1972 with prices at the highest level on record for any winter-spring period. Feeder cattle prices during the last half of 1972 will be strongly influenced by the trend in fed cattle prices. With a larger 1972 calf crop the potential supply of feeder cattle for fall movements into feedlots will be greater. The normal seasonal pattern would be for some price weakness during the fall period, especially if the 1972 calf crop shows a substantial increase.



A.M. Boswell

For the last half of 1972, supplies will average below a year ago and prices will be higher.

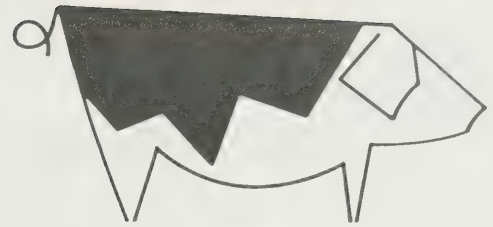
Cyclical swings in hog production and thus, hog prices, continue to be the rule in the North American hog industry. In both Canada and the U.S., the hog industry throughout 1971 had record slaughter and low prices.

To the end of May 1972, a turn-around has occurred with slaughter in Canada and the U.S. down 4.7 and 10 percent respectively from the same period in 1971.

In both Canada and the U.S., hog slaughter during the last half of 1972 is expected to average below 1971 last half levels - probably down six percent or more in Canada and six to eight percent in the U.S.

Under the above supply conditions, the hog price outlook could be termed "quite favourable" for the balance of 1972.

In both countries, hog prices rose to high levels in February but declined seasonally as slaughter supplies picked up a little in late winter. During



May, hog prices returned again to the high levels of February.

In the U.S., hog prices are expected to remain strong, rising further in July - probably to \$27 to \$28 for live barrows and gilts at the seven markets. Some price weakness is likely to develop in early fall but prices during the October-December 1972 period will average considerably above the \$20 fall level of 1971.

Allowing for the relationship between hog prices in the U.S. and Canada, and the fact the hog prices in Canada will continue to reflect an export situation, price levels at Toronto for Index 100 hogs are expected to be \$34 to \$37 during the summer. However, prices will decline seasonally early next fall, but still remaining well above the 1971 fall level of \$27.60 at Toronto.

Looking further ahead into 1973, the size of the 1972 fall pig crop (June - November farrowings), especially in the U.S., becomes the key to slaughter levels during the first half of 1973.

The U.S.D.A. March Report on Hogs and Pigs estimated June - August, 1972 farrowing intentions in 10 cornbelt states to be seven percent below a year earlier. Some U.S. market observers feel that June - August farrowings will not be down as much as the March intentions estimate. Others feel that the improved profitability of hogs during the summer months will probably bring some expansion in U.S. farrowings by late 1972 and continue into 1973. This means that price prospects for the first half of 1973 appear fairly good.



# AVERAGE ANNUAL PRICES OF GRADE "A" HOGS AT TORONTO AND CHOICE BARROWS AND GILTS AT EIGHT MIDWEST MARKETS, 1958 TO 1971

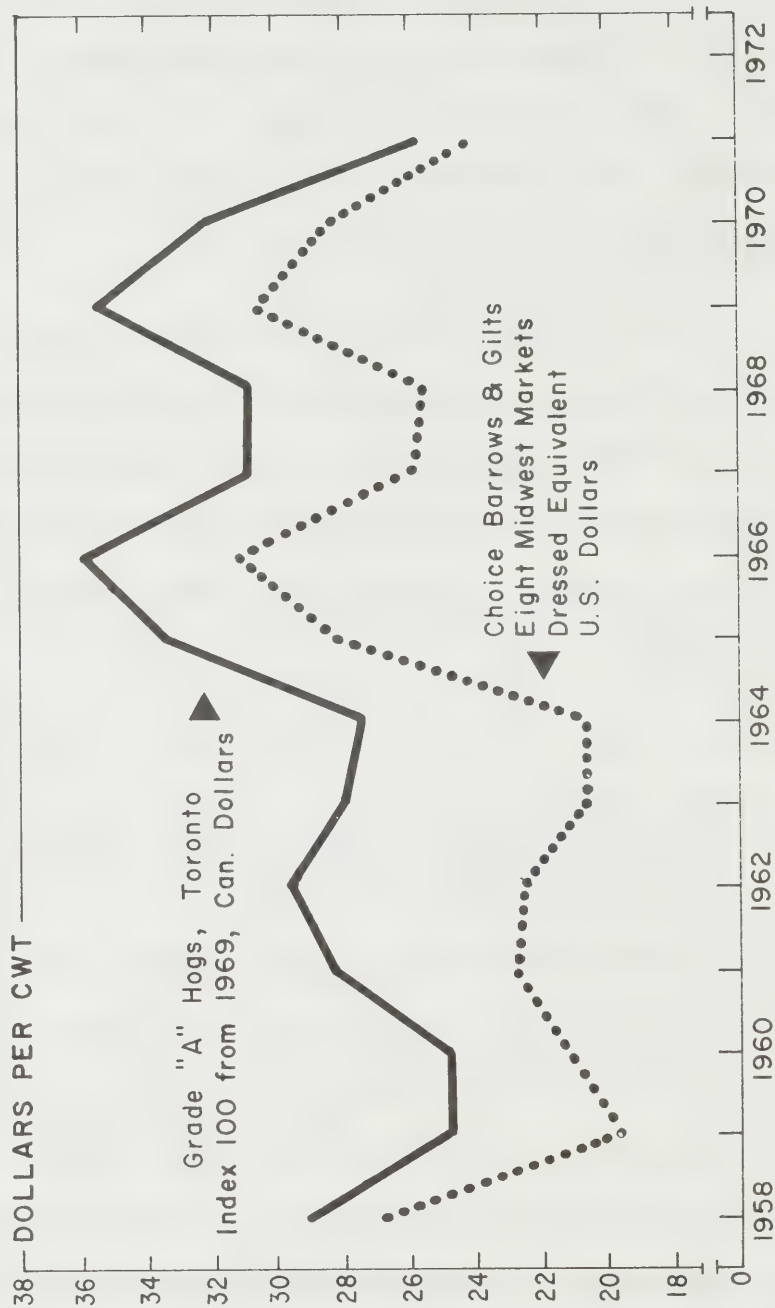
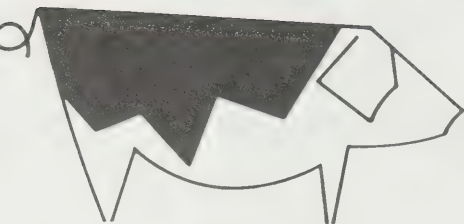


TABLE 1 - HOG PRICES, BARROWS AND GILTS AT SEVEN U.S. MARKETS LIVE, AND INDEX 100 AT TORONTO, DRESSED

	Barrows and Gilts 7 U.S. Markets		Toronto Index 100		Toronto dressed over 7 U.S. Markets Live	
	1971	1972	1971	1972	1971	1972
	U.S. \$/cwt. live		Can \$/cwt. dressed		\$ per cwt.	
January	16.25	24.84	25.98	31.58	9.73	6.74
February	19.43	25.61	26.46	34.38	7.03	8.77
March	17.13	23.56	24.44	33.99	7.31	10.43
April	16.19	22.89	22.82	33.27	6.63	10.38
May	17.43	25.31	23.94	34.89	6.51	9.58
June	18.38		24.47		6.09	
July	19.84		25.56		5.72	
August	19.05		26.68		7.63	
September	18.91		26.39		7.48	
October	19.80		26.97		7.17	
November	19.39		27.37		7.98	
December	20.98		28.40		7.42	
Year	18.45	24.44 <sup>1/</sup>	25.80	33.62 <sup>1/</sup>	7.35	9.18 <sup>1/</sup>

<sup>1/</sup> Simple average based on 5 months.

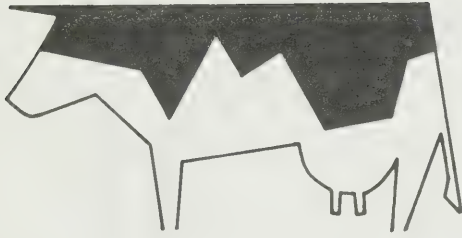


Canadians reduced their herd less than Americans, relatively, and less than usual in a low-price period. As a result, Canadian hog producers are in a relatively good position as the price cycle turns upward. Farm cash income from hogs can be expected to show a substantial increase for 1972.

From 1965 to 1969, per capita pork consumption in Canada remained somewhat stationary, averaging about 51 pounds, then increased to 56.9 pounds in 1970 and increased again in 1971 to 65.9. The sharp rise in pork prices in 1972, with only a moderate reduction in consumption, may reflect an improved Canadian demand for pork.

Another important Canadian pork trend in 1972, and one which directly reflects the small reduction in slaughter, is the continued rise in pork exports. For 1969, pork exports totaled 54.9 million pounds, increased to 69 million in 1970, and again in 1971 to 95.2 million pounds - the highest level since 1948. To the end of April 1972, Statistics Canada shows dressed pork exports at 34.9 million pounds, and increase of 12.3 million pounds, compared with the same period in 1971. For these same months, total live hog exports at 38.9 thousand head are 11.7 thousand above the 1971 level.





## DAIRY

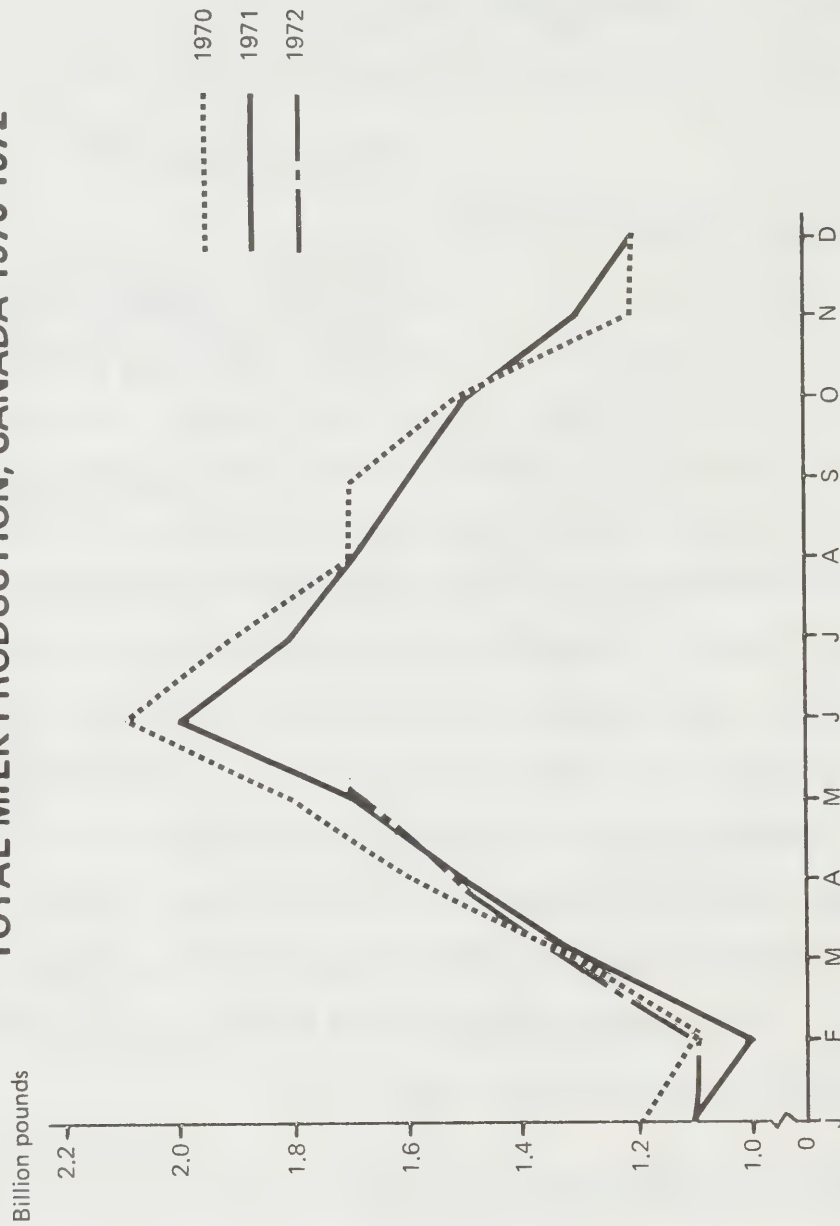
Veronica McCormick

Canadian milk production in 1972 is forecast to increase three to 3.5 percent from 1971 levels and may reach 18.4 billion pounds.

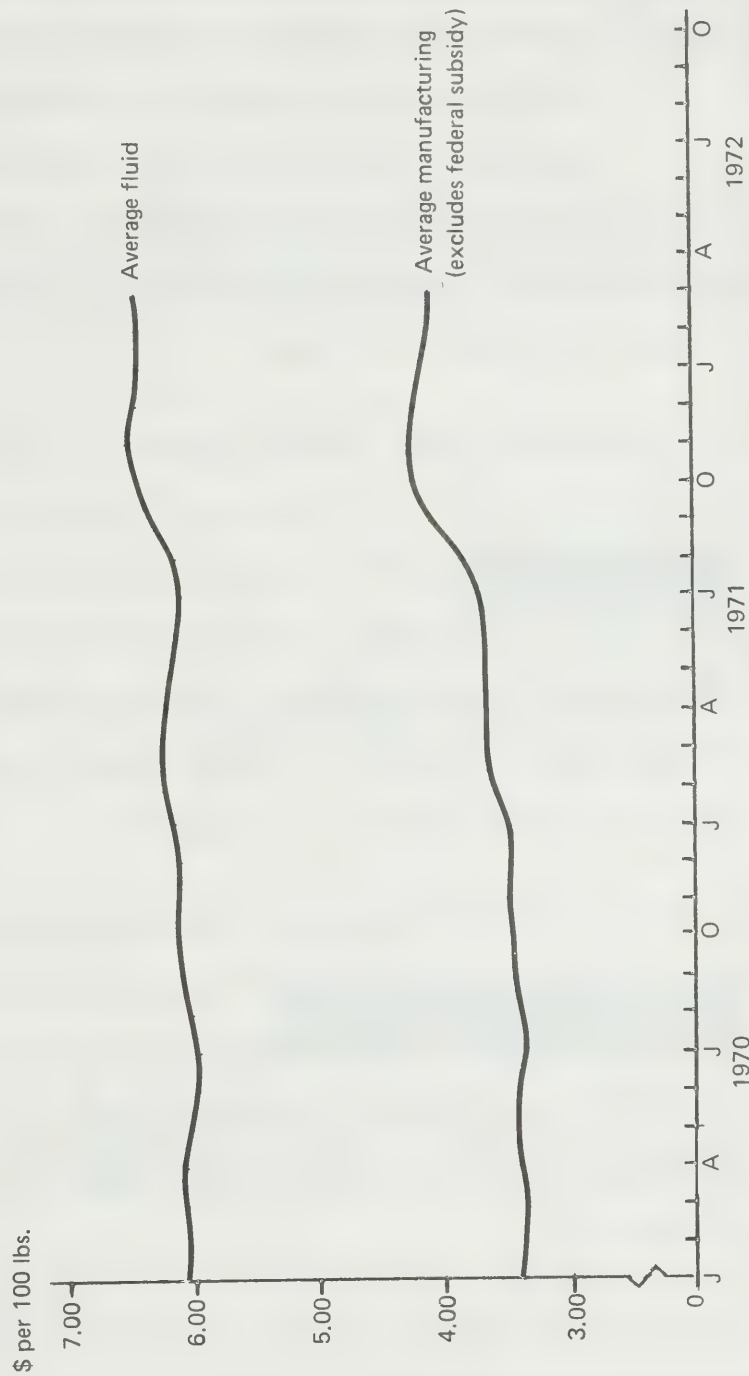
Milk production in 1972 is expected to rise from last year's levels, resulting in larger output of butter, skim milk powder and whole milk cheeses other than cheddar. Fluid sales of milk and cream will continue to expand. Domestic consumption of butter will likely be below a year ago. Cheddar cheese consumption is forecast to be little changed from 1971 but consumption of other whole milk cheeses, cottage cheese and ice cream is expected to rise. Production and consumption of concentrated whole milk products are forecast to decline slightly. Considerably more skim milk powder will be available for export from the current year's production. Total farm cash receipts for milk and butterfat in cream will increase in 1972 from 1971 levels.

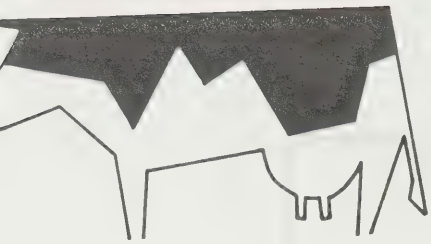
Most of the milk volume increase is expected to occur in Ontario and Quebec. Farm marketings of milk and cream (in terms of milk) are likely to approach 17 billion pounds, an increase of about four percent from 1971 levels, reflecting a decline in use on farms.

# TOTAL MILK PRODUCTION, CANADA 1970-1972



**AVERAGE FARM VALUE OF MILK FOR SPECIFIED USES BY MONTHS,  
CANADA 1970, 1971 AND 1972**





The expected rise in milk and cream marketings, higher price supports for dairy products, quota adjustments and a reduction in holdbacks will all contribute to higher farm cash receipts in 1972 than in 1971. Assuming no change in price supports, the percentage increase from year-earlier levels will likely be less in the second half of the year than in the first half.

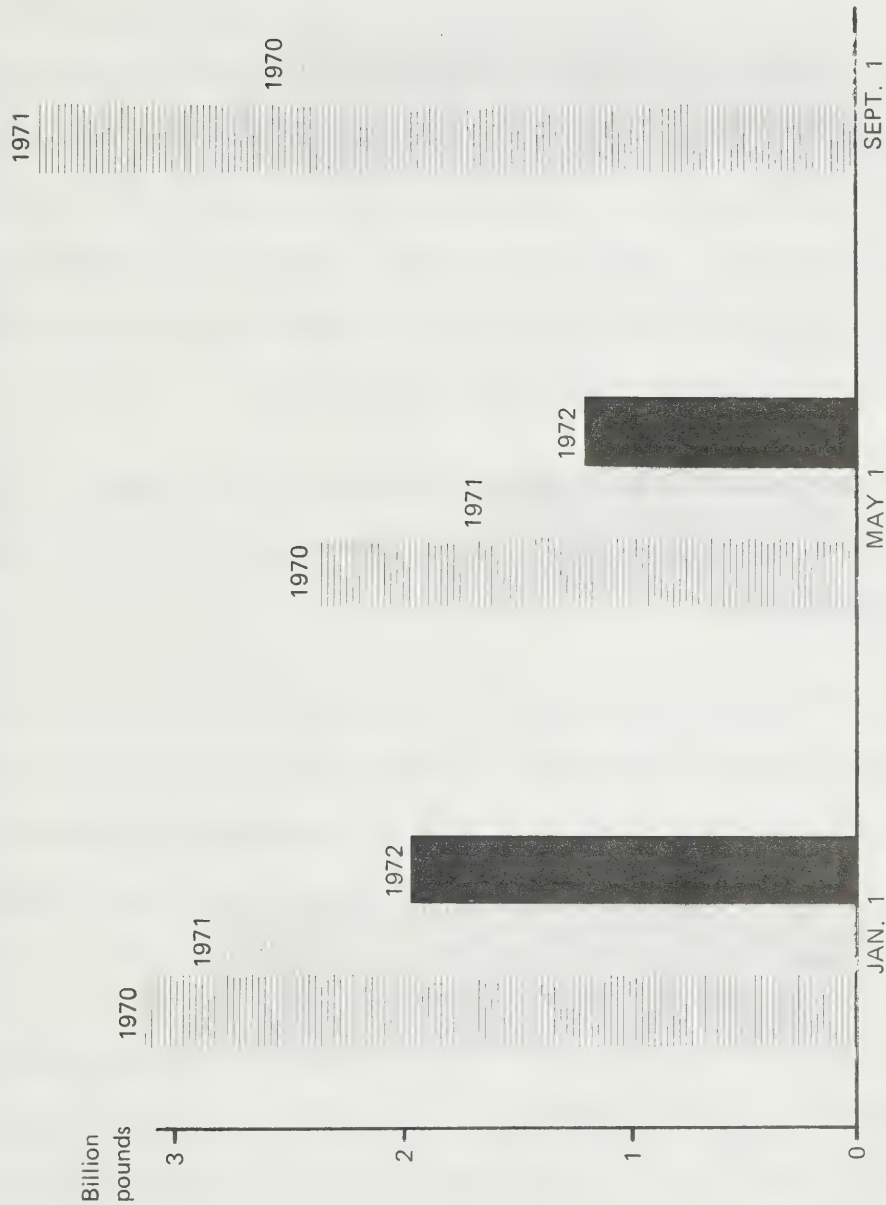
Current offer-to-purchase prices of dairy products by the Canadian Dairy Commission (with April 1, 1971 prices in brackets) are: butter, 68 cents per pound (65 cents); skim milk powder, 29 cents (24 cents); cheddar cheese, 54 cents (51 cents). (The Commission raised its purchase prices as of August 16, 1971 as follows: butter, 68 cents; skim powder, 26 cents; cheddar cheese, 54 cents). Cheddar cheese market prices have been well above the support levels since mid-1971.

The Federal subsidy on manufacturing milk and cream for quota deliveries, at \$1.25 per 100 pounds of milk testing 3.5 percent butterfat, or 35.71 cents per pound of butterfat, is unchanged from the 1971-72 dairy support year. The holdback on milk shipper's delivery quotas is retained at the 1971 average level of 10 cents per 100 pounds. There is no holdback on quota cream deliveries.

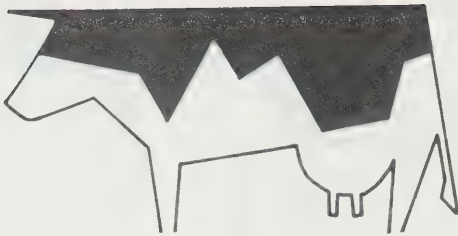
Sales of fluid milk and cream for consumption are forecast to increase about two percent from a year earlier.



# STOCKS OF WHOLE MILK DAIRY PRODUCTS \*ON A MILK (FAT AND SOLIDS) EQUIVALENT BASIS, CANADA 1970-1972



\*Creamery butter, cheddar cheese, concentrated whole milk products



Production and consumption of cheddar cheese will likely be little changed from 1971 but "other" whole milk cheeses are forecast to rise moderately.

Cottage cheese consumption will also continue to expand. Exports of cheddar cheese of 1971 production and the current year's make will likely be around 25 million pounds - down moderately from 1971. Current prices for Canadian cheddar on the British market are lower than at the first of the year and this situation is expected to continue. Imports of specialty-type and process cheeses are forecast to be slightly below the 35 million pounds imported in 1971.

Output and consumption of concentrated whole milk products are forecast to decline slightly from 1971 levels. Consumption of ice cream is expected to continue upward.

Much of the expected increase in milk production will go into the manufacture of butter and skim milk powder. Output of creamery butter is forecast to rise at least six percent from 1971 but consumption is expected to be slightly below 1971 levels. Skim milk powder output may increase by 10 percent or more.

Higher prices for skim powder in recent months have had a depressing effect on domestic use, particularly for industrial purposes. It appears that there will be 175 million pounds or more of skim powder available for export from the 1972 output. There has been some weakening of skim powder prices on export markets since the first of the year.

# STOCKS OF SKIM MILK POWDER, CANADA 1970-1972





Stocks of whole milk dairy products - butter, cheese and evaporated whole milk - on May 1, 1972 were equal to 1.2 billion pounds in whole milk equivalent, a decline of 500 million pounds, or 29 percent from year-earlier levels. Most of the decline occurred in stocks of creamery butter, which were down 28 million pounds, or 56 percent from a year ago.





# POTATOES

J.R. Burns

The supply of fall potatoes is expected to be smaller than last year in both Canada and the United States. With consumption continuing about the same, prices should be slightly higher.

Following a year of large supplies and weak prices in 1970, the 1971 fall supply was slightly smaller, but 16 percent above the 1964-68 average. Most Canadian prices started off lower than the previous year and were generally lower throughout 1971-72 (see graphs). The usual upward trend in prices after the new year was not evident this year in several areas because of continuing heavy supplies. As a result, most provinces indicated reduced plantings this year for the second consecutive year. Total Canadian acreage was expected to be five percent below the 1971 level and slightly below the 1964-68 average of actual plantings. United States potato growers planned a three percent cut in acreage for the late summer and fall crops. These intentions will likely be carried out as the fresh and processed markets continue to be depressed price-wise. The supply should therefore be lower with some increase in price expected.



Imports of new potatoes, chipping potatoes and a few high quality potatoes will probably continue at the same rate or increase slightly. Exports of potatoes parallel the ups and downs of yields and acreages.

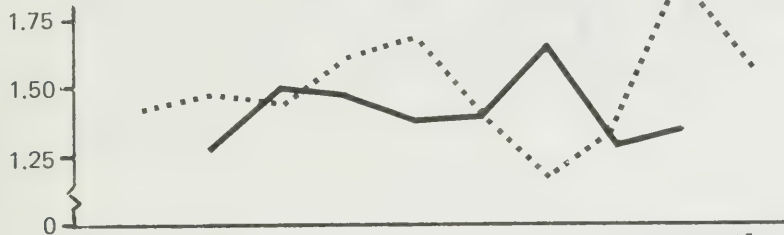
In the past two years, however, despite above average production, exports have declined to, or close to, record lows. Competitive factors, including the large supply of potatoes in the United States, the relatively high value of the Canadian dollar and the surcharge in the past year contributed to this decline. With a drop in supply expected in the United States there should be some increase in table and seed potato exports to that market in the 1972-73 marketing year. There are no immediate signs of increased offshore exports of seed potatoes. However, a virus free potato stock has been developed by Agriculture Canada's production research scientists which may increase yields of seed potatoes by up to 30 percent. Supplies of these potatoes could give Canada the advantage needed to expand and capture markets.

It is expected the production of processed potatoes for the current crop year will show a decline because of large carry-over inventories and reduced demand for such items as dried potatoes. Exports are declining because production of frozen and dried potatoes is increasing in export markets. Unless new products and markets are developed no real improvement in the export of processed products is expected. However, production and consumption of frozen french fries and specialty items for home markets will likely increase because consumer purchasing power is expected to be higher than in the past year.

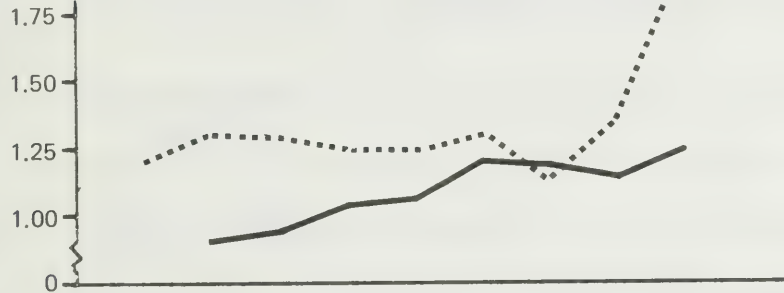
# POTATOES: AVERAGE BULK PRICE TO GROWER

\$ per CWT.

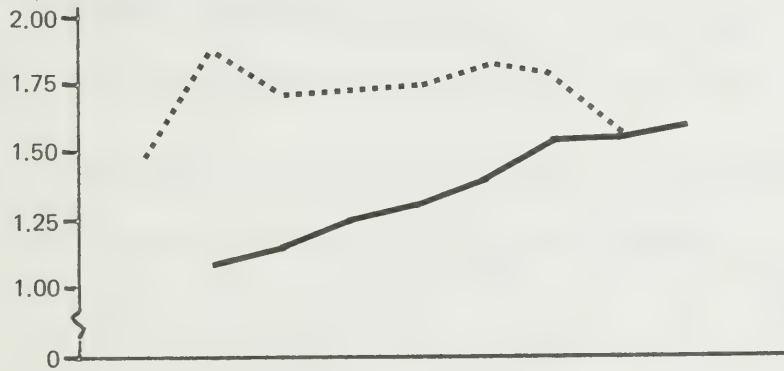
P.E.I.



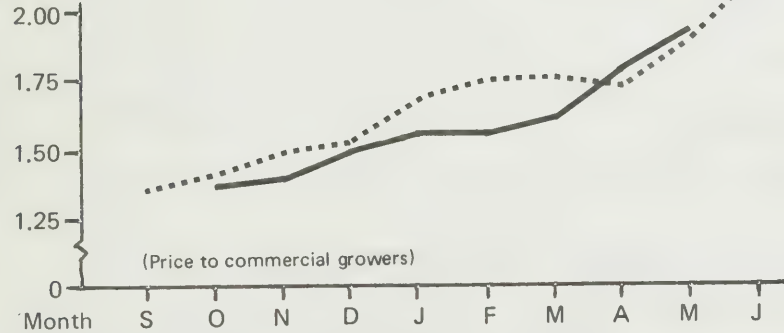
N.-B.



QUE.



ONT.



Crop of Canada  
No. 1 Grade Whites

1970 .....  
1971 —————

Prices between areas may  
not be directly comparable

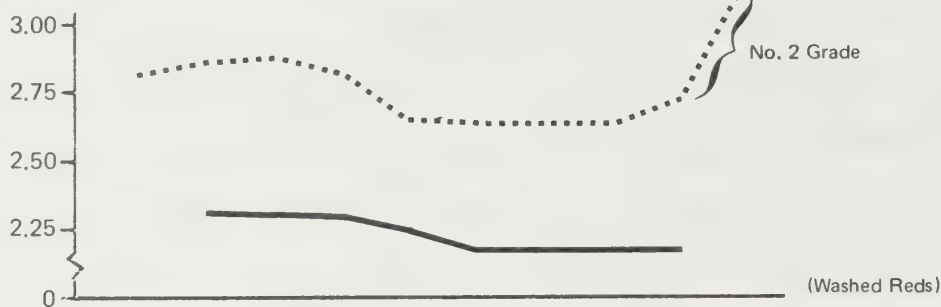
Month

S O N D J F M A M J

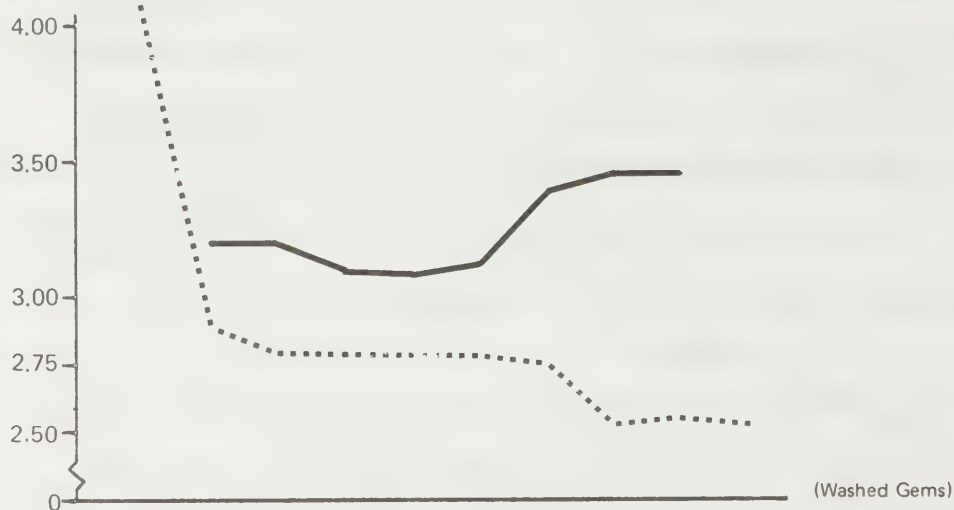
# POTATOES: AVERAGE BULK PRICE\* TO GROWER

\$ per cwt.

MAN.



ALTA.



Crop of Canada

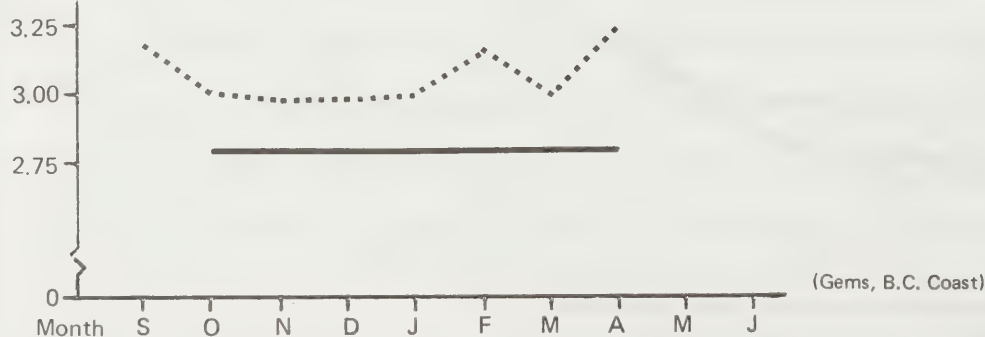
No. 1 Grade

1970 .....

1971 ———

Prices between areas may not be directly comparable

B.C.



\* Calculated by subtracting 30¢/cwt. from F.O.B. Shipping Pt. price





The consumption of fresh potatoes is expected to continue at about the same rate as last year with a slight increase possible. With an improvement in exports to the U.S. and a reduction in the North American supply, better prices may be expected.

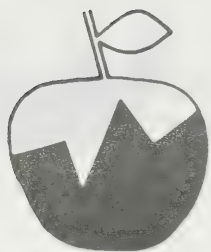
#### Other Vegetables

Gross returns for processing vegetables will be down in Ontario and B.C. and about the same as last year in Quebec.

Stocks of the major processing vegetables were well above those of last year by April first, with the exception of green peas. Both canned and frozen stocks of green peas were down four and 36 percent respectively. However, acreage contract intentions are above those of last year for green peas, as well as green and wax beans, and corn. Tomato acreage intentions are about 1.5 percent below the previous year and asparagus about 30 percent below.

Most canning crops were making good progress until the frosts of June 10th in Ontario and reduced yields are expected there.

Contract prices in Ontario being the same, gross returns for the major canning crops will likely be down. Returns for asparagus, however, are expected to be higher. In British Columbia, contract prices are slightly higher, but intentions to contract were lower so returns will likely be lower. Quebec acreage is expected to be lower except for green and wax beans.



# APPLES

J.R. Burns

Large supplies are a distinct possibility for the coming marketing year. Nevertheless, increased exports and processing and a continued high domestic consumption of fresh apples should keep prices from slipping below last year's levels.

Early June development indicates that crops in British Columbia and Ontario are likely to be larger than last year and above the 1964-68 average. Most areas in Quebec are quite promising and growth in the Maritimes has advanced rapidly. Under favorable conditions, the national crop potential is over a billion pounds - about 14 percent more than last year and six percent above average. The outlook in the United States is also for larger crops this fall. Thus with continued good weather and other favorable cultural conditions, the North American outlook at the moment points to an above average supply for the coming year.

Should such crops materialize, the 1972-73 marketing year will be one of intense competition and continuing low prices.

This coming marketing season, more apples will probably go into processing because production and current stocks of apple juice, solid pack, sauce and frozen apples are lower than last year. Further incentive to increase the



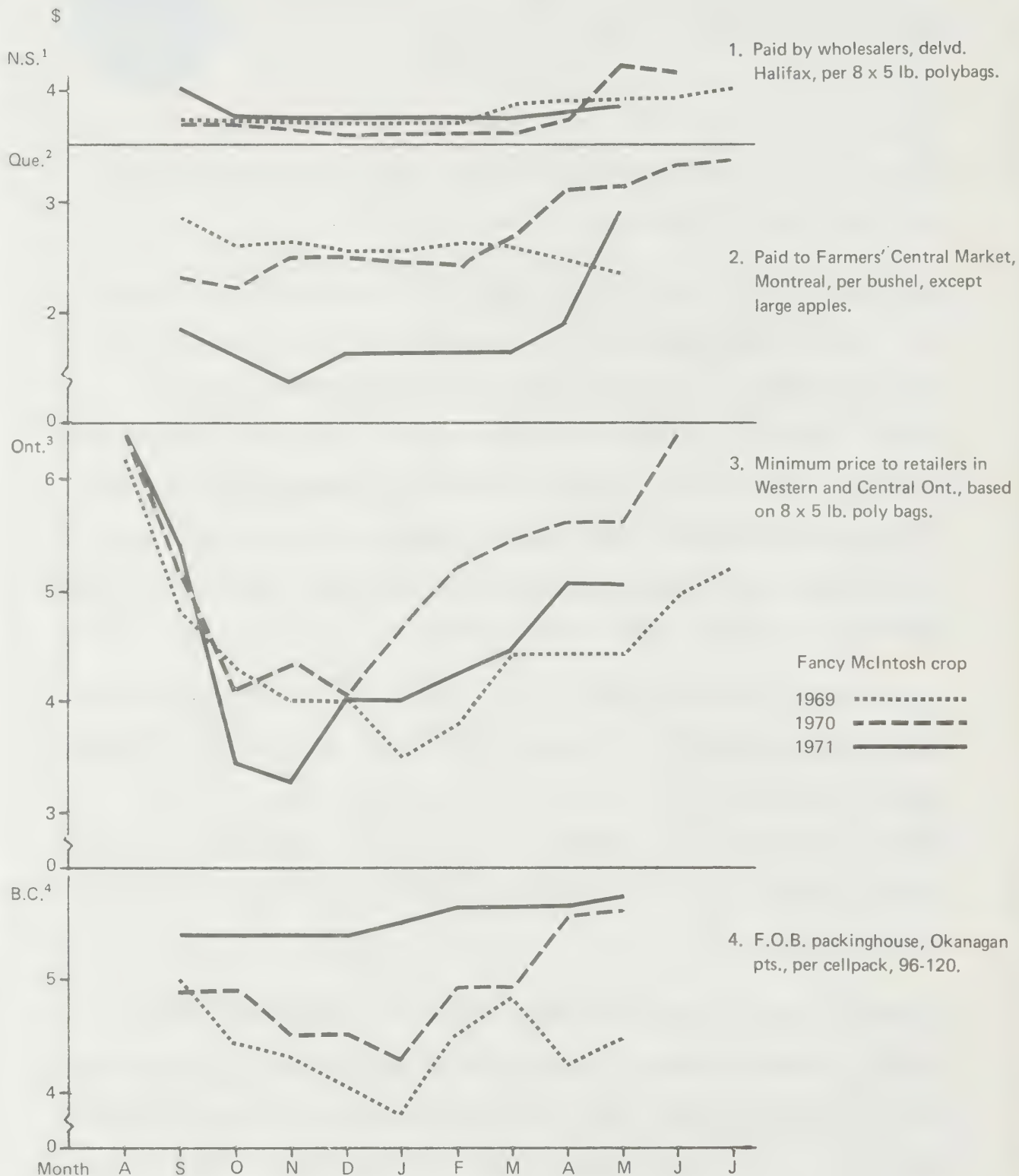
pack will be the influences underlying the upward trend in per capita consumption of processed apples. The expansion of cider production in Quebec will increase the demand for apples which cannot be used for higher forms of processing and juice making. This expansion and the development of new cider products will open up markets both in the rest of Canada and in other countries.

Projecting current trends, 1971-72 exports will likely fall to a record low. The relatively high value of the Canadian dollar will also reduce returns to exporters. Next year, however, combined government and industry efforts will be made to increase exports, especially to the United States and European markets other than the EEC. Because British Columbia is expected to have a full crop, exports from B.C. to the United States will be larger than last year. But British Columbia's exports to the United Kingdom will not likely reach recent levels.

A special levy will be imposed on apples entering the United Kingdom markets (EEC) beginning probably in February, 1973. The initial impact on Canadian exports could be severe. The levy will be reduced gradually however, beginning in January, 1974. When the levy has been phased out in five years, Canadian exporters expect to compete successfully, particularly with high quality red apples.

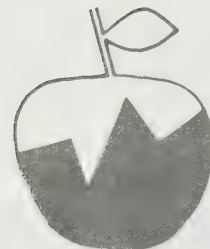
Regionally, prices improved last year in the Maritimes and in British Columbia. However, prices in Ontario and Quebec were lower. The attached graph illustrates selected fresh apple prices, mainly for fancy Macs in the

# SELECTED FRESH APPLE PRICES\*



\*See text for additional details





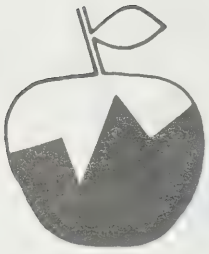
four main growing areas. Depending largely on the Washington and Michigan crops, British Columbia prices could reach the same levels as last year. Last year's large supply in Ontario and in Quebec, combined with increased supplies in the eastern United States created a difficult marketing situation. Fortunately no serious price breaks occurred in Ontario. The fairly orderly marketing of Ontario apples and the light supply on the Prairie markets helped prevent a more serious drop in prices. Because of the possibilities of another large crop, price prospects are not as good as last year for Ontario and Quebec.

Larger exports from British Columbia and increased processing across Canada will help offset the larger supply. Per capita disappearance of fresh apples in Canada is relatively high compared to the United States. With population and disposable income increasing, total consumption of fresh apples will continue to increase. Present price levels would then be maintained.

#### Other Fruit

Prices and returns will likely be higher for Canadian producers of other fruit.

The apricot crop in British Columbia is expected to be slightly larger than last year, but still below average. Peaches are progressing favourably in Ontario, except for Essex and Kent counties and the British Columbia crop looks larger than last year and above average. The pear crop is doing well in Ontario and will be above average in British Columbia, although down from last year. Sour cherry production in Ontario will be about average but sweet cherries in both areas may be above average. The Ontario grape and



raspberry crops appear to be of normal size. The United States peach, pear and cherry crops are expected to be short. If crops turn out as expected, both fresh and processing prices will show some increases over last year and probably greater returns will be made by the grower.



# POULTRY AND EGGS

J.G. Lussier

Egg prices will likely go up gradually for the rest of the year.

Broiler chicken wholesale-to-retail prices will probably weaken 10 percent or more.

Turkey prices should remain firm.

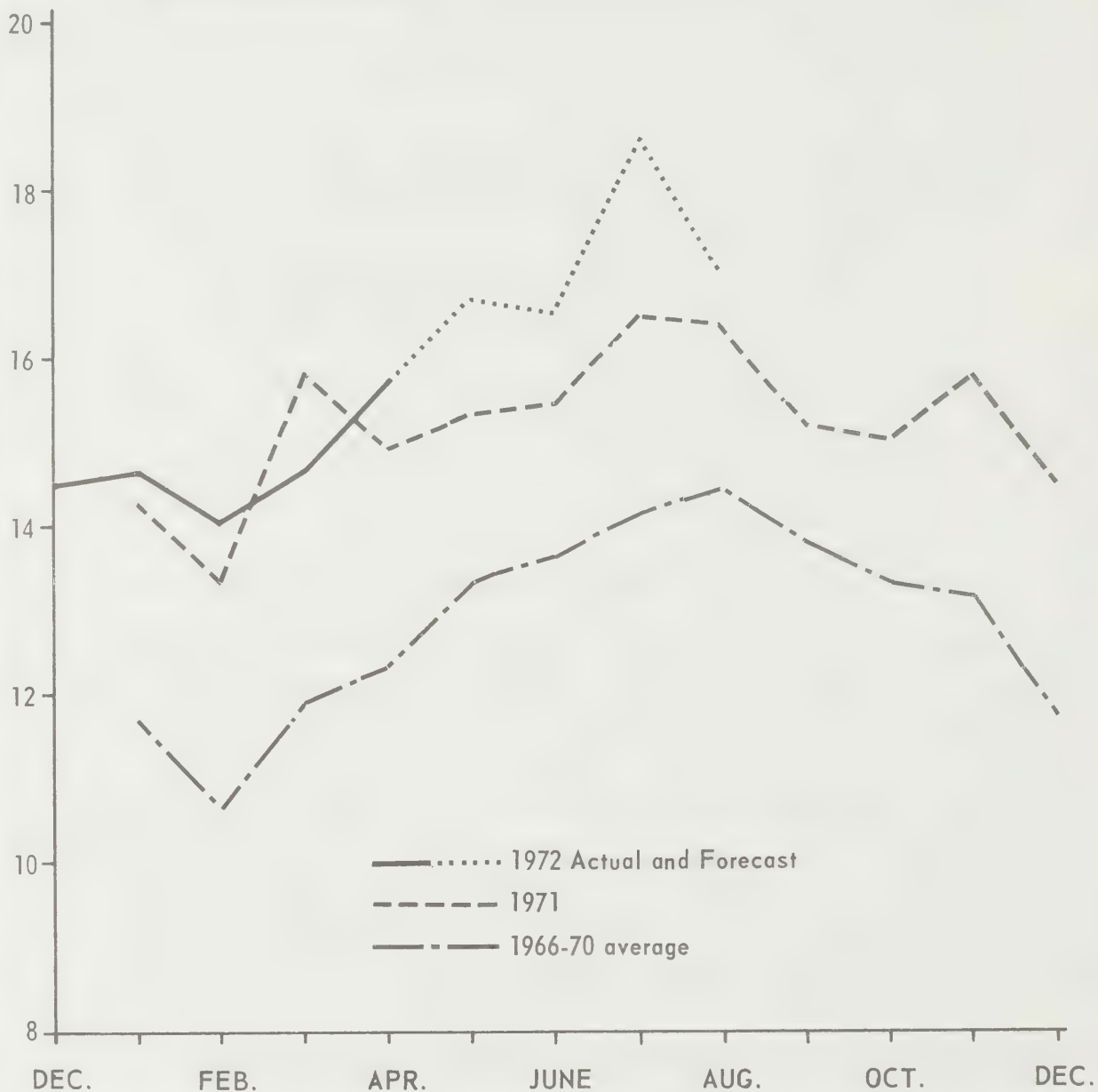
## Eggs

The total number of layers will likely decline from about 27 million in late spring to 26 million in July and slightly below that in August and September. In November and December, numbers will probably increase again to 27 million. By contrast, layer numbers were 28.8 and 28.7 million, respectively, in November and December, 1971. The above forecast of layer numbers is based on the assumptions that mortality rates will be lower than in 1971 due to Marek's vaccine, and that fowl slaughter will be heavier than last year due to the special slaughter program.

The daily rate of total egg production, which was 1,343,000 dozen in January and has come down to about 1,300,000 dozen in April and June, is expected to fall continuously during the summer to 1,225,000 dozen in

# BROILER CHICKEN MARKETINGS IN CANADA

Million  
head







September and October, and rise slightly in November and December to 1,260,000 dozen per day.

According to the trend, the proportion of the total production going through registered stations from May to December should be between 66 and 69 percent, averaging 68 percent compared to 65.1 percent in 1971. Marketings through registered stations, expressed in thousand cases, per month, should be between 875 and 900 from May to August, about 830 in September and October, 860 in November and close to 900 in December.

It is quite likely that stocks of egg products will gradually decline and be closer to normal by late fall.

Prices will likely go up gradually for the rest of the year. The extent of the egg price rise will be influenced by prices south of the border, as the decline in United States' production is still several months behind Canada's.

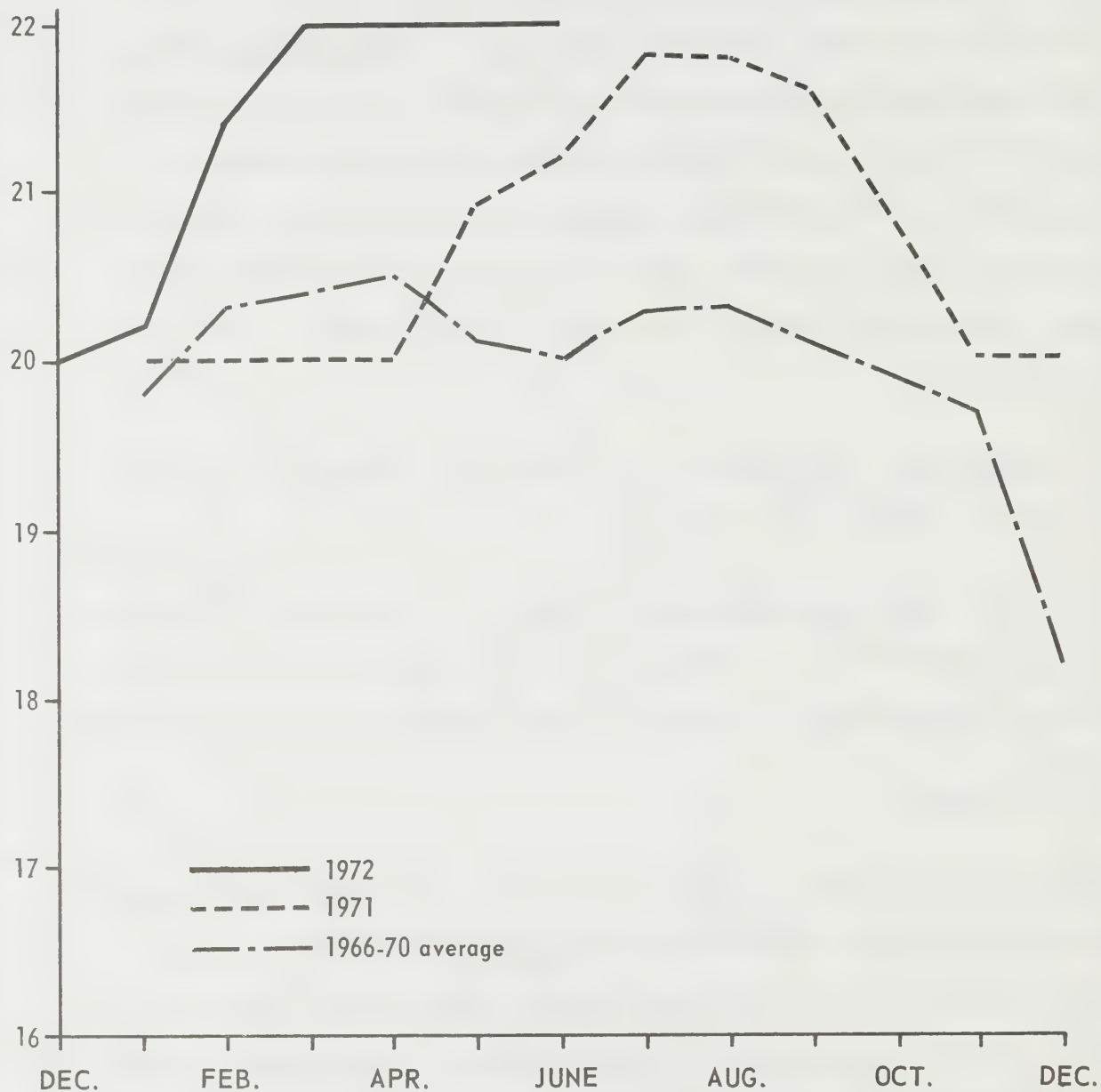
#### Broiler Chickens

Marketings are forecast to total 152.3 million pounds from June to August, 1972, which would be 10 percent or 13.7 million pounds more than year earlier marketings. This would also be 11.6 million pounds more than last year's domestic disappearance for the same period. The expected increase in production is too large to go into stocks. It is doubtful that consumption would absorb the increase at current prices. Wholesale-to-retail prices are likely to weaken 10 percent or more.

# BROILER CHICKEN PRICES AT TORONTO

(Live No. 1 to Producers)

¢/Lb.



## Turkeys



Placements of broiler turkey poults have been about five percent higher than a year ago during March, April and May. Therefore, an increase of five percent in marketings is expected for June, July and August over the same period in 1971. However this number would still be 22 percent less than in 1970.

Domestic disappearance, at current prices, is not very brisk and expected marketings should satisfy the demand.

Heavy hen turkey marketings are expected to be 350,000 head lower than a year earlier. In September, though, they will likely exceed 1971 marketings by 60,000 head and in October 90,000 more head than last year are expected.

Marketings of heavy toms from January to August are expected to number one million head, about 600,000 fewer than in 1971.

Apparently marketings of heavy turkeys from September on, will be larger than a year ago, but at best will only make up for about half of the decline in marketings to August. Turkey poult placements from January to May are down four percent for toms and 11 percent for hens.

Altogether, turkey prices should remain firm. However any advance in prices will be influenced by United States' turkey production which is up six percent over last year's level and U.S. prices remain weak.



# SPECIAL CROPS

R.T. Miller

The London sugar price will likely average about seven cents a pound in the 1971-72 crop year.

White bean acreage may be up 20 percent.

Frost damage to Ontario tobacco will leave production at least 10 percent short of target.

## Sugar Beets

The acreage of sugar beets in Canada this year is expected to be about 83,600 acres, three percent more than in 1971. The acreage in Western Canada will likely approach a record 76,500 acres. In Quebec, the acreage is expected to decline by 1,000 acres to about 7,100 acres.

Production of refined sugar from the 1971 sugar beet crop is placed at 302 million pounds, 41 percent more than the 214 million pounds processed from the 1970 crop. Stocks of beet sugar held by Canadian refiners at the end of March stood at 215 million pounds, 46 million pounds more than the level of a year ago.

Raw sugar prices on the London market peaked in March of this year when the average price reached 9.6 cents a pound. This compares with an



average price at the start of the crop year in September of 4.6 cents a pound. Prices have moderated somewhat since March suggesting that an average price for the crop year might be in the vicinity of seven cents a pound.



This firmer price trend has had no adverse effect on the level of consumption. Domestic sales of refined beet sugar during the first quarter of 1972 were 59 million pounds, six percent more than the 55 million pounds sold during the same period in 1971.

#### Dry Beans

Overall demand for beans has weakened in recent months in both domestic and export markets. However, only about 10 percent of last year's crop of white pea beans remain to be sold and current expectations are that producer returns will average well in excess of \$10 a hundredweight. This compares with an average return to producers from the 1970 crop of \$9.52 a hundredweight. The Ontario acreage of white pea beans was expected to increase by up to 20 percent this year. However, an estimated 10 percent of the crop was damaged, by frost early in June. Most of the damage occurred in Huron, Perth and Oxford counties, but much of the crop was replanted.

Most of last year's crop of yellow-eye beans in Ontario has been sold, largely to export markets abroad at prices somewhat below those of the previous year. Producer returns for yellow-eye beans from the 1971 crop are expected to average about \$13.00 a hundredweight compared with about \$17.00



from the 1970 crop. The acreage of yellow-eye beans this year should equal or even be slightly less than last year.

#### Dry Peas

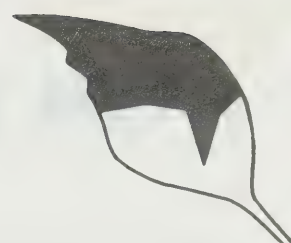
Supplies of dry peas in North America are up sharply and are the largest in several years. Carryover of yellow peas in Canada at the end of the current crop year may be the largest in a decade. Despite strengthening demand in recent months, mainly in the export market, prices remain at extremely low levels. It is hoped that an expected 20 percent reduction in acreage this year will produce a crop small enough to permit a reduction of supplies and the possibility of firmer prices.

#### Buckwheat

An expected heavy carryover of buckwheat continues to have a depressing influence on prices. Exports in the past few months, mainly to Japan, the Netherlands and the U.S., have remained somewhat above those of a year ago. Some improvement in the market situation is indicated if the current crop should equal or be slightly less than last year.

#### Tobacco

A preliminary assessment of frost damage to the 87,000 acre crop of flue-cured tobacco in Ontario indicates that up to 25,000 acres will have to be replanted before the last week in June. The crop is now expected to fall short of the production target by at least 10 percent. The industry had set a target for the 1972 crop of 200 million pounds at an expected minimum



average price of 66.5 cents a pound. In 1971, the crop was 202 million pounds and was sold for an average price of 65 cents a pound. The Ontario crop of burley tobacco, which is estimated at 1,685 acres, was relatively unaffected by the frost.

Frost damage to the flue-cured crop in Quebec was mainly restricted to Pontiac county where approximately 250 acres were affected. The crop in Quebec is estimated to be about five percent more than the 7,100 acres of 1971. This year's crop of cigar tobacco in Quebec is expected to be about the same as last year.

The planted acreage of flue-cured tobacco in the Maritimes this year is expected to increase by about five percent to 5,120 acres.

#### Seeds

Export demand for Canadian forage seeds as of April 1 was substantially weaker than a year ago, mainly as a result of reduced sales in the U.S. Exports from July through March were 47.9 million pounds, 23 percent less than a year earlier. However, exports of cereal seeds increased during the same period by 24 percent to 557,000 bushels. Field seed imports in the period July through April declined by 11 percent from the level of a year ago to 21.5 million pounds.

Inspected acreage of pedigreed seed crops in Canada this year is expected to be somewhat less than the record 884,000 acres of 1971.

# FARM INCOME

J.D.F. Kidd

Farm cash receipts will be up moderately.

Realized net farm income will likely be sharply higher.

Farm cash receipts in 1972 from the sale of farm products will likely remain moderately higher than year earlier levels, mostly because of larger marketings of livestock and livestock products at higher prices. In addition, larger grain marketings from the record crop production of 1971 are contributing to larger cash flows for Canadian farmers in the first half of 1972.

In the first four months of 1972, total farm cash receipts in Canada, from the sale of farm products and from Wheat Board and from federal government payments to farmers reached \$1,512 million, up by \$303 million or 25 percent from the corresponding period in 1971. Higher farm prices for cattle, hogs, milk and poultry meats together with larger farm marketings of cattle pushed farm receipts in the livestock sector of agriculture to \$899 million in the January-April period of 1972, a rise of \$116 million from the year earlier period.

Cash receipts from crop marketings in the first four months of 1972 at \$436 million were also up by \$49 million from the year ago level. However, western grain farmers also received about \$75 million from the Canadian Wheat Board in final payments on the 1969-70 and 1970-71 wheat pools in early 1972, as well as about \$55 million in supplementary payments under the domestic wheat price policy.

In Western Canada, larger grain marketings are expected to continue to the end of the crop year in July as a result of record large grain and oilseed exports. Consequently, farm cash income from crops, especially from wheat, barley and rapeseed will be at a high level during the second quarter of 1972. Deliveries of oats will continue under year earlier levels because of smaller export sales. In Eastern Canada, cash receipts from corn, soybeans and tobacco were moderately above year earlier levels during the first four months of 1972.

Thus, realized net farm incomes in Canada in 1972 (excluding changes in the values of farm held inventories) will likely be sharply higher than in 1971, and will rise considerably more than the gains in total farm cash receipts even though farmer's expenditures on supplies and services are also increasing. The average level of prices paid by farmers in 1972 will likely rise by as much as the four percent general advance which occurred in 1971.

For 1972, the level of gross farm income, which includes the value of changes in farm inventories, will depend largely on the level of crop production in 1972. Assuming average crop conditions, the general improvement of farm income which began in 1971 should continue during the current year.



# FOOD PRICES

J.D.F. Kidd

Retail food prices will likely rise much less rapidly during the remainder of 1972 than during the past several months.

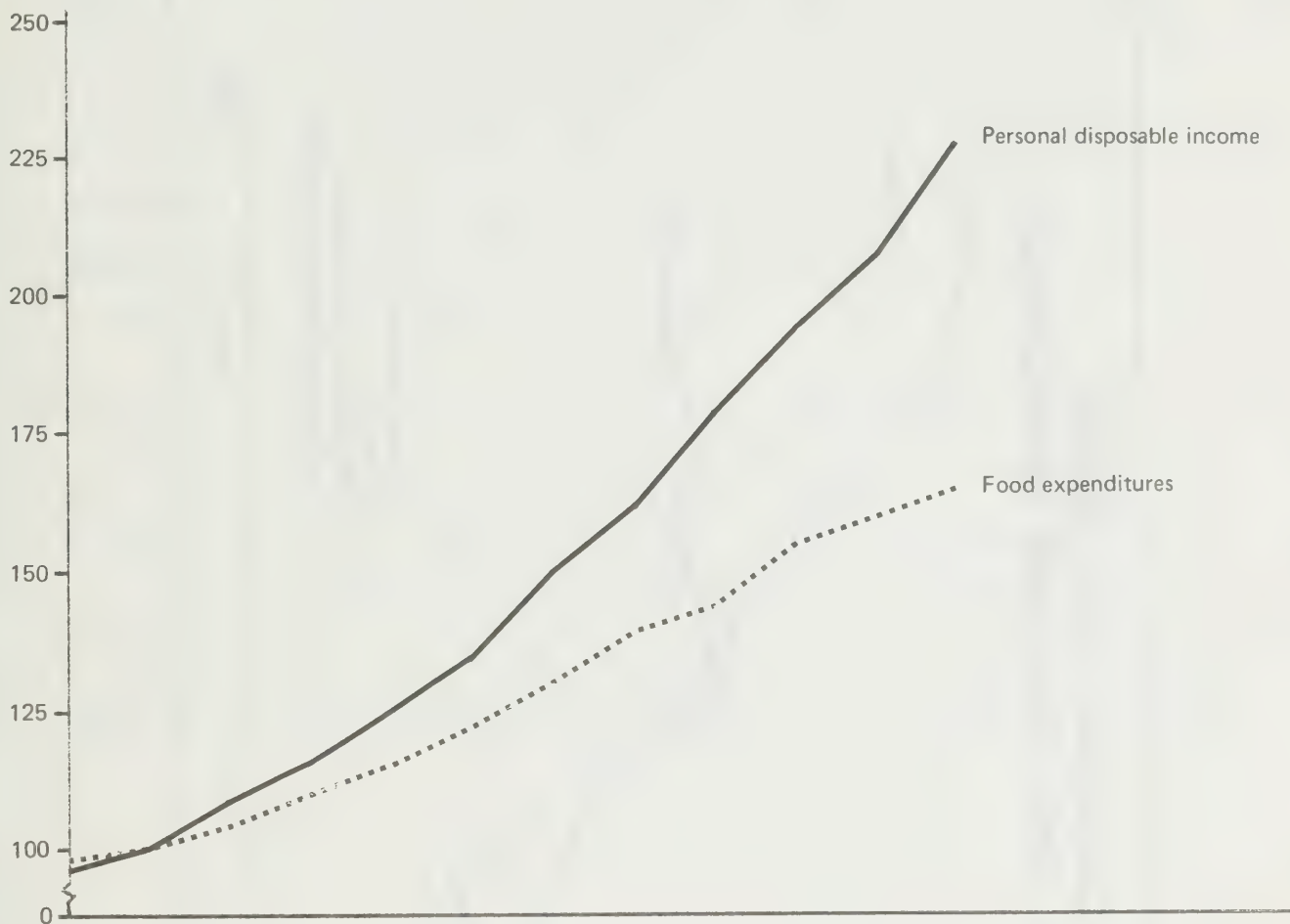
Prices of livestock and livestock products are expected to remain relatively stable because of adequate supplies in relation to market requirements. Supplies of processed fruit and vegetables are also adequate, but future supplies and prices of fresh produce will depend largely on growing conditions throughout North America in 1972. Prices of tropical imports such as sugar, coffee, tea, bananas are not expected to change much in coming months.

Food prices in retail stores rose quite rapidly in the last half of 1971, and prices continued to advance in the first four months of 1972. Higher prices for all meats, dairy products, fresh vegetables and for sugar at the farm and wholesale levels accounts for a large part of the rise of retail prices of recent months. In the case of pork, prices recovered from the depressed levels of earlier months. Rising costs pressure throughout the food processing and merchandising industries also contributed to the advance of food prices, and these pressures show no signs of slackening in 1972.

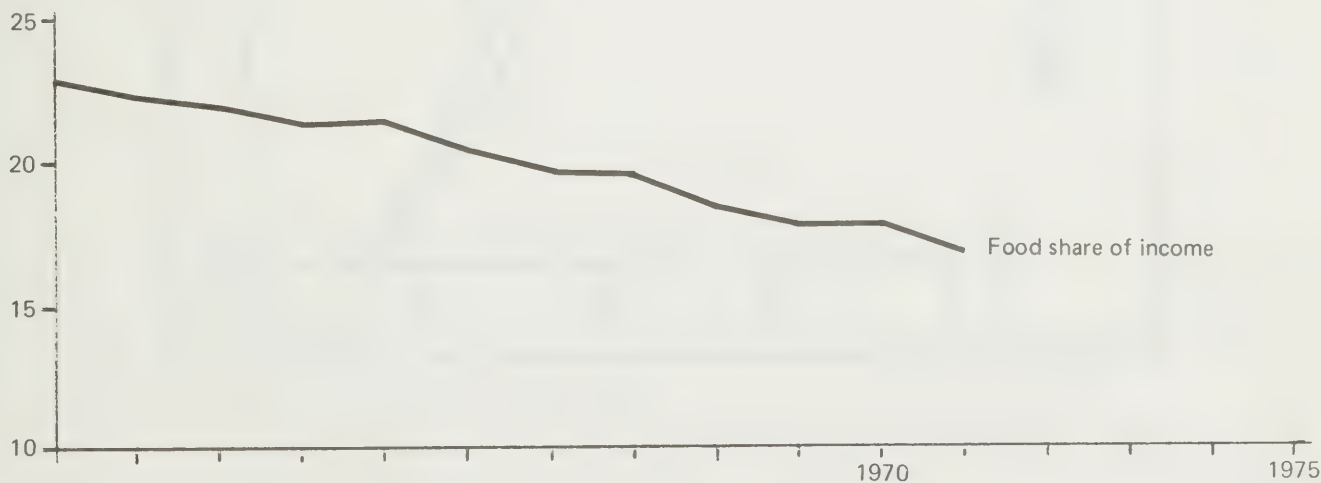
The adverse effects of rising food prices on the costs of family living have been completely offset by a more rapid rise in the level of disposable incomes of most families in Canada. In 1972, the expenditures for food in Canada will continue to expand by about six to seven percent, but they will account for a slightly smaller percentage of consumer

# CANADIAN INCOME TRENDS AND FOOD EXPENDITURES

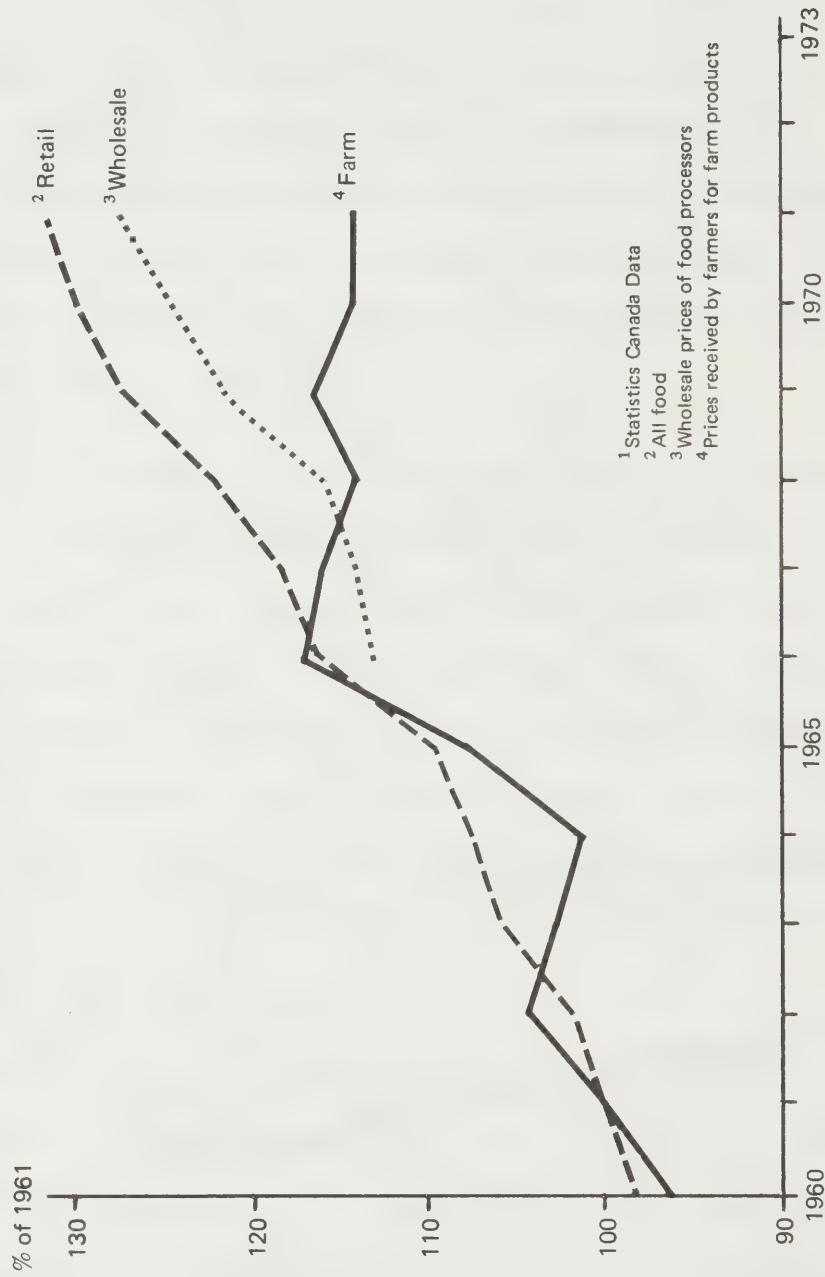
% of 1961



Percent



# CANADIAN FOOD PRICES RETAIL, WHOLESALE AND FARM LEVELS<sup>1</sup>



spending than in 1971. Last year consumers spent about 17 percent of their disposable incomes on food for use at home and away from home.

While retail food prices have risen by about 35 percent in Canada between 1961 and 1972, prices received by Canadian farmers in 1972 were up by an average of only 21 percent over the past decade. Higher farm product prices have been confined largely to livestock, milk and fresh produce. Because of these circumstances, many farm families have been hard pressed to maintain or improve their living standards.

Farmers have been attempting to keep up to the rising income levels of urban families in a number of ways. Firstly, they have been expanding farm production at a fairly fast pace. In 1971, the index of farm production was 45 percent higher than in 1961, although population in Canada advanced by only 19 percent. In addition, this higher production occurred on 366,000 farms in 1971 compared with 481,000 farms in 1961, a reduction of 24 percent.









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